

**Department of Natural Resources
FY 2007 Operating Budget
Response to DLS Analysis**

The DNR response to the DLS analysis is below. We concur with one of the recommended actions and oppose the remaining ten. Our response will begin with the recommended actions and will answer the issues on the DLS analysis afterward.

DLS RECOMMENDED ACTIONS

1. Add budget bill language concerning vehicle replacement funding.

Concur.

2. Add budget bill language restricting the use of funds for contractual positions at State forests and parks.

3. Add budget bill language prohibiting the use of funds to move the Maryland Geological Survey.

Oppose both recommendations. The language is not contingent upon legislation or an executive order failing to require the move.

While any additional general funds to support State Forest and Park operations is appreciated, should legislation or an executive order to split MGS up and move part of them to the Tawes building come to fruition, DNR would desperately need this money to effectuate the move.

Furthermore, the language proposed is not contingent on the failure of any legislation or the lack of an executive order requiring the move. DNR could find itself in the untenable situation of being statutorily required to move MGS without any funding available to do so. Legislation forcing the move without the funding would be catastrophic. The Coastal and Estuarine Geology Program must have a laboratory to function, without which data essential to the Chesapeake Bay restoration effort, and critical to the dredging of Baltimore Harbor and approach channels, would be lost. The program would have to be eliminated and staff laid off unless staff remains at the Weaver Building.

DNR respectfully requests that should the budget committees not be persuaded that moving most of MGS to MDE is economical and practical, that the budget bill language be contingent on the failure of any proposed legislation or the lack of an executive order requiring the move.

- 4. Add budget bill language authorizing the department to submit a fiscal 2007 budget amendment for up to \$500,000 in State Forest and Park Reserve Funds.**
- 5. Reduce State Park Operating Funds for contractual employees and local jurisdiction refunds by \$1,000,000.**

DNR respectfully opposes both recommendations. The reduction and budget bill language will hamper the Parks ability to expend earned funds should park attendance levels be high.

Should the State Forest and Parks have record attendance in FY 2007, these recommendations would preclude the use of additional dollars that the department has earned to fund necessary contractual positions to run the parks, while the parks were experiencing high attendance. Seasonal contractual employees that the Maryland Park Service hires include lifeguards, maintenance personnel, and other employees necessary to maintain the health and safety of park patrons.

These recommendations curtail the department's ability to budget and expend funds it earns and may indeed need in FY 2007.

6. Delete funding for an Urban Tree Canopy Project.

Oppose. The department would receive no matching money from the Chesapeake Bay Trust to provide 24 acres of urban tree canopies.

These funds would be used to provide grants to several jurisdictions for tree planting. A match of the funding for this type of activity is available through the Chesapeake Bay Trust. The requested funding would match a grant from the Chesapeake Bay Trust and provide for 24 acres of urban tree canopies.

The importance of the urban forest in Maryland is more than the amenity value of the trees. While the trees provide important amenity values, such as shade, screening, and landscape ornamentation, they also perform the following beneficial functions that can be translated into economic value:

- Removal of air pollutants, including ozone (O₃), carbon monoxide (CO), sulfur dioxide (SO₂), nitrogen dioxide (NO₂), and particulate matter less than 10 microns (PM₁₀)
- Decrease in energy costs (*e.g.*, shading and cooling effects of trees)
- Stormwater mitigation
- Carbon storage and sequestration
- Increase in property value
- Sociological and psychological values

7. Delete funding for a grant to the Mid-Atlantic Off-Road Enthusiasts.

Oppose. Maryland is fortunate to have extensive public lands, but lacks trails for experiencing them. Mountain bikers stepped into this breach in the 90's, and have been creating popular, low-cost outdoor facilities ever since. In 1994, Maryland's Dept. of Natural Resources (DNR) asked Mid-Atlantic Off Road Enthusiasts (MORE), the region's largest mountain bike club, to create a new trail system on 2000 acres of farm and woodland overlooking Seneca Creek in Germantown. Two years later, DNR and MORE cut the ribbon on "Schaeffer Farm Trails," 10 miles of trails, treating users to dramatic views of Seneca Creek, Sugarloaf Mountain, the Potomac River valley and the hills of eastern Loudoun County, Virginia, from trails that wind through woodsy copses and open fields, past working farms, wetlands and champion old-growth trees. The FY 2006 appropriation to MORE is \$75,000, and the FY 2007 allowance is for a \$125,000 grant to the organization to provide the public a cost effective way to build mountain bike trails and the department course maintenance and training.

8. Delete new positions associated with the implementation of the Corsica River watershed restoration effort.

Oppose. Reducing positions for the Corsica initiative negates DNR's ability to show whether implementing a comprehensive restoration strategy in a targeted watershed improves water quality.

The three positions are for two field biologists and one statistician to conduct and analyze water quality monitoring data. Monitoring water quality is an essential portion of the Corsica project. The Corsica is a Pilot Project – it is intended to demonstrate that these actions can work with the expectation that so doing will garner additional external funding to repeat this success elsewhere. This goal cannot be met if we do not measure improvements in water quality resulting from our actions. Measuring and analyzing water quality requires staff – there is simply no alternative. The only way DNR could accomplish this without hiring new staff would be to reassign existing staff doing monitoring and analysis on other parts of Chesapeake Bay, thereby eliminating critical monitoring programs that have been in effect there for 20+ years.

The only alternative means of conducting the monitoring and associated analyses would be to contract for these services. Doing so would not be prudent for two reasons:

1. It would be significantly more expensive (DNR can perform these duties for far less with in-house staff than with a contractor),
2. The data would be of lower quality. This is not necessarily a reflection of the abilities of available contractors, but rather a reflection of the fact that there are inevitable differences in data collected by different groups. DNR collects and analyzes water quality data baywide. If a contractor collected data for the Corsica, there would be perhaps unresolvable issues of data

comparability. This is highly technical field work, and no two groups can possibly perform it equally, regardless of safeguards in place.
In short, going with a contractor would be more costly, and lower quality.

9. Delete new positions and associated funding and reduce contractual and equipment funds for bay grasses restoration.

Oppose. Reducing funding for the bay grasses initiative will delay progress in the department's ability to seed bay grasses.

The bay grass restoration initiative is a major undertaking. Seeding bay grasses on these scales has never been attempted before anywhere in the world, and will require a significant investment to develop the technologies and techniques necessary for success. The \$990,000 requested by DNR is our honest estimate of what is required to meet that goal. It is impossible to estimate the degree of impact to the program by a significant reduction in this funding. It will undoubtedly slow progress considerably.

It should be noted that DNR has to date garnered several million dollars in external funding for this effort with only several hundred thousand dollars in State funds. Obtaining external funding is becoming increasingly difficult, particularly with such a small amount of State General Funds to offer as match.

10. Delete a new position and associated funding and reduce contractual funding for Corsica River watershed restoration efforts.

Oppose. Without personnel and funding for the Corsica River watershed restoration efforts, the State will fail to demonstrate its commitment to Bay Restoration.

The total budget cuts proposed by the Division of Legislative Services leave the Corsica project with no personnel dedicated to the management and implementation of this project and little money to fund the implementation. The implementation activities represent new work for the agencies involved. The existing personnel will be insufficient to carry out these new and current responsibilities. Without the funds and positions requested this project will not have the staff nor the funds needed to implement the stormwater management projects, enroll the cooperators in the cover crop program, develop the wetland and stream restoration projects or evaluate the projects progress towards meeting its goals. This may also adversely affect the willingness of Federal agencies to allocate Federal funds to this project with no State funds to leverage or match and discourage local involvement.

A portion of the \$225,000 in Contractual costs recommended for elimination would go to the Resource Assessment Service in DNR for a contract with the University of Maryland to conduct monitoring studies on sediment oxygen and

nutrient exchange (\$81,000). Understanding the movement of nutrients from the sediment into the water column in the Corsica estuary is critical to our restoration efforts. As land-based management efforts are effective at reducing nutrient loadings to the river, those successes could be offset to some unknown degree by nutrients currently buried in bottom sediments moving into the water. Understanding the degree of that movement is essential to understanding and tracking our progress at restoring the river.

11. Delete a new position and associated funding and contractual funding for an unidentified watershed restoration initiative.

Oppose. We offer strong objection to the deletion of the \$780,142 and one pin, as suggested. In order for Maryland to reach the 2010 Goals, The Tributaries Strategies and the Targeted Watershed Programs are essential to that task. Any delay in these programs will jeopardize our chances of achieving those goals. This position and funding are critical for moving implementation efforts forward in the next targeted watershed in a timely manner and demonstrates the State's commitment to the local governments, business and property owners located within that watershed.

Issues

DNR's Murky Bottled Water Venture

***Question:** Is this private fundraising initiative an appropriate role for state government?*

Answer: As outlined in the Budget Analysis, DNR has a responsibility to achieve *sustained populations of living resources and aquatic habitat in the mainstream of the Chesapeake Bay, tidal tributaries, and coastal bays and to achieve healthy Maryland watershed lands, streams and non-tidal rivers.*

In an effort to find look at funding sources to support our Bay restoration goals, last year DNR sought and received the approval from both the House and Senate's respective Environmental Subcommittees as well as the State Ethics Commission regarding (1) the establishment of the Chesapeake Bay Recovery Partnership (CBRP) and (2) the subsequent fundraising and restoration activities the partnership would undertake. This clearly indicates that both the Executive and Legislative Branches acknowledged this is an appropriate role for state government.

The partnership's initial fundraising initiative, the sale of Maryland Natural Spring Water, was launched last September. The contractual agreement regarding the sale and distribution of this product is between the Oyster Recovery Partnership (ORP), the 501(c)3 MOU partner of the CBRP, and the Brickhouse Water Company. The State, itself, is not an actual party to that agreement.

The water has begun to be distributed locally around Maryland in small amounts. We expect the distributor to ramp sales efforts this spring and secure market penetration during summer 2006.

***Question:** Since many existing nonprofits have the structure and potential capacity to support large scale restoration efforts, is this effort duplicative?*

Answer: With the exception of the Oyster Recovery Partnership, there are no other nonprofits currently structured to implement large-scale Bay restoration projects in Maryland. Some, such as the Chesapeake Bay Trust and the Chesapeake Bay Foundation are beginning to *fund* large-scale projects, however their organizations lack the manpower and resources to fully implement project activities.

***Question:** Will donors be able to dictate what projects their gifts will be used for? If so, how does DNR intend to ensure that funds are used in the strategic manner?*

Answer: All "restricted" donations will be identified as such, and used solely for the purpose intended by the donor. Funds raised from the general public that are not "restricted" -- such as the bottled water -- will be utilized for programs such as planting

oysters, bay grasses and tree seedlings. Any future consumer products or public programs will also indicate the specific programs to be funded by the proceeds from the sale of the products.

Bay Health Struggling as Chesapeake 2000 Goals Loom

***Question:** DNR should be prepared to discuss what additional programmatic and financial resources would be required in fiscal year 2007 through 2010 to meet the State's Chesapeake Bay Agreement goals and why this additional funding has not been requested.*

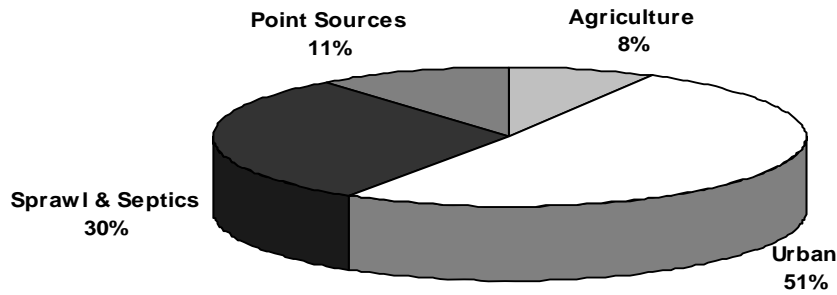
The total cost to implement Maryland's Tributary Strategy is approximately \$10 Billion. Estimates of projected funds available to the State for implementation of the strategy, along with implementation activities resulting from regulatory programs, indicate there will be approximately a \$ 6 billion funding gap between 2004 and 2010. Funds to close this sizable gap will need to be generated from a variety of sources; a single request for \$6 Billion over a number of years in the State's budget would be not considered fiscally responsible within a single fiscal year. The funds will also need to be generated at the local level, both publicly and privately, as well as from the federal government.

Governor Ehrlich's budget includes a coordinated request for significant funds for DNR, MDA, MDE, and MDP to ramp up the implementation of best management practices throughout Maryland as well as in smaller scale targeted watersheds. This will provide much needed assistance statewide for our farmers and local governments to implement the conservation measures included in our Tributary Strategy. This is an incremental/long-term approach, focused on both building capacity for implementation as well as providing the necessary funds for project construction.

The Corsica River Pilot Project is designed to demonstrate that significant water quality improvements and the population of oysters, bay grasses, fish and other living resources will occur when the Tributary Strategy is fully implemented in a defined watershed. In addition, these pilot projects will provide invaluable lessons on how to build local capacity, overcome implementation challenges and find cost effective solutions to specific problems that will inform the broader statewide efforts to restore the Bay. We will greatly enhance our ability to secure additional funds in future years within the state as well as from federal and private sources if we have demonstrated the ability to restore water quality and living resources in targeted watersheds.

Funding for both the Tributary Strategy and Targeted Watershed Initiatives is critical to our future success in the restoration of the Chesapeake Bay.

Projected Total Cost, 2003-2010: \$10 Billion



		Agriculture	Urban	Sprawl & Septics	Point Sources	Total
Projected Total Costs		\$796	\$5,151	\$3,028	\$1,069	\$10,045
Capital	Total	\$523	\$1,999	\$2,663	\$1,069	\$6,254
	Annual	\$60	\$166	\$259	\$67	\$552
O&M	Total	\$273	\$3,152	\$365	\$0	\$3,790
	Annual	\$39	\$446	\$104	\$0	\$589
Projected Funding		\$289	\$3,175	\$36	\$410	\$3,910
Federal		\$110	\$2	\$0	\$1	\$114
State		\$123	\$8	\$36	\$309	\$476
Local		\$0	\$2	\$0	\$100	\$102
Private		\$56	\$3,163	\$0	\$0	\$3,218
Projected Shortfall		\$507	\$1,976	\$2,992	\$660	\$6,135

* NOTE: All Costs in Millions of Dollars

The Corsica River Pilot Project

Question: DLS recommends that DNR discuss the goals as well as the current and projected funding needs associated with this pilot project.

The goal of the Corsica River Pilot Project is to attain the new State water quality standards in the Corsica River and therefore remove the Corsica River from the Impaired Waters List (303(d) list). The initial focus will be to address nutrients and sediment impairments.

Corsica River Pilot Project Justification

In the past, restoration resources have been spread statewide and this has generally stabilized water quality or produced small improvements in many areas, but this has not resulted in the State being able to declare that a large water body has been restored.

The Corsica Watershed Project is a pilot program to develop best business/management practices and implement the processes, partnerships, assessment, monitoring, and

implementation tools needed to meet that threshold for restoring a single sub-watershed of the Chesapeake Bay in Maryland.

Major Implementation/Monitoring Components

In order to successfully address the priority nutrient and sediment Clean Water Act 303(d) list impairments in the Corsica River the following activities need to be implemented in the Corsica River Watershed:

- Upgrade and Maintain Centreville Sewage Treatment Plant at Enhanced Nutrient Management
- Establish and maintain 4000 acres of cover crops and 2000 acres of small grain enhancements
- Treat 300 acres of urban lands with stormwater management
- Establish 100 acres of Conservation Reserve Enhancement Program buffers
- Implement 50 acres Horse Pasture Management best management practices
- Retrofit 30 septic systems with denitrification technology
- Establish 200 acres of forested buffers on non-agricultural land
- Restore 50 acres of wetlands and 2 miles of stream channel
- Restore 10 acres of submerged aquatic vegetation and 20 acres of oysters beds
- Do a “baseline assessment” of current conditions
- Monitor the effectiveness of all best management practices and water quality parameters in the tidal Corsica River

Major Challenges

- Project Management – The project implementation is part of The Chesapeake Bay Recovery Partnership’s (CBRP) large scale Bay Restoration Program. CBRP is a joint venture between the Maryland Department of Natural Resources and the Oyster Recovery Partnership, a nonprofit 501(c) (3) organization. Project implementation will be accomplished in concert with a variety of Maryland Departments (MDE, MDNR, MDP, MDOT, MDA, etc.), nonprofit organizations, numerous Federal Government Agencies, the city of Centreville, Queen Anne’s County, the local Watershed Restoration Action Strategy (WRAS) Team, local landowners, local elected officials and other watershed stakeholders.
- Funding Gap – There are currently resource shortfalls for this project that must be made up to fully implement the restoration of the Corsica watershed.
- Staff Positions – With a project of this magnitude, the addition of staff dedicated to this restoration effort is essential. Eight FTE positions are needed by MDE, MDA and DNR to assure proper coordination, implementation, monitoring, tracking and outreach to ensure project success.
- Achieving Water Quality Standards – The desired goal of this project is to attain tidal and non-tidal State water quality standard and remove the Corsica from the Impaired Waters List (303(d) list). This has not been accomplished before for tidal impairments and will require rigorous monitoring. In addition, even if we

- implement all the practices natural systems inherently take time to reflect nutrient reductions in the water (4-8 years).
- Cooperation/participation by Local Government and Private property owners – This plan cannot be successfully implemented without full participation by the affected local governments and the willingness to implement best management practices by private property owners.

Funding Summary

The overall cost of the implementing the Corsica River Restoration Plan is \$19,422,653 over five years. Our analysis to date has identified significant resources that have already been allocated or are potential funding sources to implement this plan.

Overly Optimistic Fiscal 2007 State Forest and Park Reserve Fund Projections?

***Questions:** DLS recommends that DNR and DBM discuss the latest fiscal 2006 and 2007 SFPRF revenue projections and how DNR would manage a funding shortfall if estimated revenues are not realized in fiscal 2006 and fiscal 2007. In addition, DLS recommends budget bill language restricting the use of new fiscal 2007 general funds for State forest and park operations.*

The revenue projections for fiscal 2006 and fiscal 2007 were recently revised to reflect the actual revenues attained by the fund in fiscal 2005. Previous to 2005, the SFPRF revenues were steady around \$12.5 million. In the middle of the 2004 fiscal year, the Maryland Park Service substantially increased park entrance fees in the face of increased costs. The first full fiscal year this fee increase was realized was fiscal 2005. Budget projections are made two years prior to the fiscal year they affect, so the revenue estimates for fiscal 2006 was substantially lower than the fiscal 2005 attainment, by over \$2 million. The revenue projection for fiscal 2006 was adjusted to reflect the full year of increased fees. Fiscal 2007 revenue projections are consistent with fiscal 2005 earnings.

As the SFPRF revenues are extremely weather dependent, DNR must at all times be vigilant of its spending from this fund. Regardless of the revenue projections, the weather plays an enormous role in the amount of revenue collected. Approximately 30% of the fund's revenue is collected in May and June. By this point, the fiscal year is nearly over and no real adjustments can be made to control spending. Therefore, the Department spends conservatively throughout the year, anticipating fluctuations of the revenues due to weather, and maintains a reserve fund to cover for the under-attainment in revenues. Should the revenue projections prove to be too optimistic, the Department would control spending throughout the year in a way that has the least impact on the public's enjoyment of the State Parks.

Maryland Geological Survey Move Proposal

***Question:** DLS recommends deleting funding for this proposal and having DNR discuss the potential negative repercussions of not implementing the proposed move.*

DLS has four distinct concerns regarding moving MGS to MDE. DNR will address each concern accordingly.

MGS Workload Would Remain Split Between DNR and MDE:

MGS workload is currently split between DNR and MDE, and has been so for many years. As resources to support these programs diminish, however, it was decided that it would be most efficient to move that portion of MGS most closely associated with MDE to that Department, and retain the portion of MGS most closely associated with DNR within DNR. Those respective departments can better secure new or reallocate existing funding to maintain these programs.

Inefficient to Duplicate Existing Offices:

Existing offices would not be duplicated. The Weaver Building would be declared surplus by DNR for eventual sale or lease by DGS. DNR and MDE currently have empty space in their existing headquarters which could now be utilized by MGS staff. It is inefficient to keep that space empty.

Unknown Future for DNR's Weaver Building and Annex:

The fate of the Weaver Building would be determined by DGS, not DNR, but it is anticipated that it would be sold or leased. The Annex to the Weaver Building belongs to DGS and is scheduled for demolition. The cost for moving the core samples from the Annex will be \$40,000 regardless of their final destination and that is part of the \$458,000 budget request for the move.

Detrimental Impact on Coastal and Estuarine Geology Program:

1. Current professional interaction between the Coastal and Estuarine Geology Program and the remainder of MGS programs is relatively small and the impact would be minimal.
2. MDE currently has relatively little use of the products of this program, whereas DNR depends heavily on it. DNR is very concerned that moving

this program to MDE with the rest of MGS will inevitably result in its eventual reassignment or elimination.

Implications of not funding this proposal and negative repercussions of not implementing the proposed move.

1. The implications of not funding this proposal BUT still making the move would be catastrophic to DNR. DNR could not afford to maintain the Weaver Building for just the 9 staff remaining with DNR, and would have to move them to Tawes, but without any funding to do so, could not reestablish the laboratory that is essential to their operation. Without funding to reestablish the laboratory, the program would have to be eliminated, meaning loss of critical resources for Chesapeake Bay restoration. Primary functions of this program and supporting laboratory include:
 - Technical assessments of bay sediments necessary to guide bay channel dredging and material placement operations
 - Shoreline erosion studies and modeling
 - Bay bottom mapping essential for oyster and SAV restoration
 - Impacts of sediment enrichment to Chesapeake Bay
 - Sand source studies for Ocean City beach replenishment
 - Technical advice to the Department on a wide variety of Bay restoration issues.
3. The implications of not funding the proposal AND not implementing the move (i.e. status quo) would mean that DNR would not be able to meet a long-standing need to maintain stream gages and groundwater monitoring wells. There is currently an approximately \$130,000 shortfall (likely to increase significantly in future years) for this program which would be picked up by MDE after the transfer. DNR does not have the resources to maintain this program and data critical to the State would be lost as a result.

Response to the Managing for Results Questions

DNR should be prepared to discuss how funding increases for the Corsica River watershed restoration and Tributary Strategies will impact DNR's ability to achieve Maryland's Chesapeake 2000 Goals.

Please see attachments 1 and 2.

DNR should explain why there is no 2005 SAV data, the change in the FY 2004 SAV data, discuss the changes associated with measuring SAV, and comment on how the new fiscal 2007 funding would impact DNR's SAV acreage goal.

Why no 2005 SAV data for Maryland?

The annual SAV acreage is typically not available until the spring of the following year. 2005 acreage, therefore will not be available for another several months.

Why did reported 2004 SAV acreage change from 51,232 in the FY04 report to 44,640 in the FY05 report?

SAV acreage is calculated by the Virginia Institute of Marine Science. Sometimes, early estimates are later revised as per further review of the data. Additionally, acreage is reported by VIMS as a baywide amount, not a MD or VA amount. DNR must then estimate the amount in MD. DNR typically revises that number later in the year (Fall of the year following the data collection) when more specific data becomes available and the MD specific acreage can be calculated more accurately.

Challenges associated with measuring SAV.

The annual SAV acreage is estimated by the Virginia Institute of Marine Science with partial funding provided by DNR. It has been conducted by aerial survey using the same methods since 1984, and is one of the best and most accurate data sets available on the health of the bay. Nonetheless, there are challenges to accurate reporting, most notably:

1. There is a very small window of time to get accurate photographs. This ideal time is based on growing season, tide state, angle of sun, etc. Adverse weather conditions can easily cloud the water and prevent VIMS from meeting this window, thereby compromising the data.
2. Since 9/11, severe restrictions have been placed on VIMS for taking high resolution aerial photographs of significant portions of the Bay. This too, can compromise the ability to collect data.

How FY07 funding will impact DNR's SAV acreage goal.

The FY07 funding is to conduct large-scale SAV restoration. It will not immediately impact the baywide 185,000 acre SAV goal (approx. 110,000 acres of which is in Maryland), but will immediately impact the baywide 1,000 acre seeding goal also set by the Bay Program partners. This latter goal requires development of new techniques and technologies, and meeting it will not be possible without the FY07 funding. The 1,000 acre seeding goal was set with the expectation that achieving it will speed achievement of the larger 185,000 acreage goal.

It is important to note that our ability to meet the 185,000 acre baywide goal is largely determined by our ability to improve water quality. Degraded water quality is, by far, the primary reason for the currently degraded bay grass populations.